ALCOHOL PLANT TRANSFER

UNIVERSITY
OF MICHIGAN

MAY 27 1958

MAIN
READING ROOM

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

H. R. 10514, H. R. 11189, and H. R. 11753

MARCH 31, 1958

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ALCOHOL PLANT TRANSFER

MONDAY, MARCH 31, 1958

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The committee met pursuant to notice at 10 a. m., in room 1310, New House Office Building, Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Albert, Thompson, Jones, Watts, Hagen, Johnson, Matthews, Hill, Hoeven, Simpson, Belcher, Harrison, Dixon, Smith, and Quie.

Also present: Representatives Harrison (Nebraska), McGovern, and Krueger; John Heimburger, counsel; Mabel C. Downey, clerk.

Mr. POAGE. The committee will please come to order.

The full committee is meeting here this morning to consider legislation of an emergency nature which several of our colleagues have introduced on the matter of using soft corn for the production of alcohol which would involve reopening of a Government-owned alcohol plant at Omaha, Nebr.

There are, I think, a number of bills that have been introduced on this same subject matter. There is one by Mr. Harrison and one by Mr. McGovern, as well as one by Mr. Hoeven, a member of this committee, and there may be others who have introduced legislation on this same subject matter. The bills will be inserted in the record at this point.

(The bills referred to are as follows:)

[H. R. 11753, 85th Cong., 2d sess.]

A BILL To provide for the transfer to the Department of Agriculture of a certain Government-owned alcohol plant, for the purchase and use of grains in connection with the operation of such plant, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the Administrator of the General Services Administration is hereby authorized and directed to transfer to the Secretary of Agriculture, without reimbursement or transfer of funds, the Government-owned alcohol-producing plant at Omaha, Nebraska, known as Plancor Numbered 1608, together with the equipment, facilities, and other property pertaining thereto.

SEC. 2. The Secretary of Agriculture is authorized, upon such terms and conditions as he deems reasonable, and notwithstanding the provisions of any other law, to operate such plant or provide for the operation of such plant under Government supervision by lease or other arrangement, for the purpose of manufacturing alcohol from grains which, in the opinion of the Secretary, are inferior, damaged, deteriorated, or in immediate danger of damage or deterioration.

SEC. 3. The Secretary of Agriculture is authorized to procure such grain by purchase without regard to the provision of law governing the making of contracts and by transfer, without reimbursement, of Commodity Credit Corporation owned stocks.

SEC. 4. The Secretary of Agriculture is directed to operate the plant, or cause it to be operated, in such manner as to utilize to the fullest extent possible grains

of the type specified in section 2 hereof. Any arrangement for the operation of the plant shall be under such terms and conditions as will further the purpose of this Act and may include provision for reimbursement by the payment of a fee or otherwise for any losses incurred by the operator thereof. In the event it is determined by the Secretary that no appreciable amount of grains which are inferior, damaged, deteriorated or in immediate danger of damage or deterioration are available either from private interests or from Commodity Credit Corporation owned stocks, he may operate the plant (1) for the manufacture of alcohol from surplus grains regardless of the condition of such grains, and/or (2) for conducting research into new and improved uses of surplus grains for industrial uses. Any grains used in the operation of the plant may be obtained by the Secretary of Agriculture in accordance with the provisions of section 2 hereof.

SEC. 5. The Secretary of Agriculture may store alcohol manufactured at such plant or sell it at such price as he deems reasonable. All proceeds from the sale of such alcohol shall be deposited into the Treasury of the United States as miscellaneous receipts.

SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. The Secretary of Agriculture may also transfer from funds available to the Commodity Credit Corporation such sums as may be necessary to carry out the purposes of this Act.

[H. R. 10514, 85th Cong., 2d sess.]

A BILL To transfer to the Secretary of Agriculture certain alcohol-producing facilities of the United States, to require him to produce alcohol from surplus agricultural products and certain corn and wheat, to provide for the disposal of such alcohol, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be transferred to the Secretary of Agriculture (hereinafter referred to as the "Secretary") the Government-owned alcohol-producing facility at Omaha, Nebraska, known as plancor numbered 1608, and any other Government-owned facility useful in any program authorized by this Act, upon request for such transfer by the Secretary. The Secretary shall request the transfer of all such facilities within a reasonable time after the date of enactment of this Act but not later than January 1, 1959.

SEC. 2. The Secretary shall operate the facilities transferred to him pursuant to the first section of this Act to manufacture alcohol from surplus agricultural products and from corn and wheat purchased under section 6 of this Act.

SEC. 3. No officer or employee of any department, agency, or independent establishment of the Government of the United States shall purchase any motor fuel for use by such department, agency, or independent establishment unless at least 5 per centum of such fuel, by volume, is alcohol manufactured under section 2 of this Act.

SEC. 4. The Secretary shall sell for any use, other than human consumption, any alcohol which is not disposed of under section 3 of this Act at a price equal to the cost to the United States of manufacturing such alcohol.

SEC. 5. The Secretary shall, in addition to the manufacture of alcohol as required by section 2 of this Act, conduct experimental programs for manufacture of butadiene from alcohol produced from surplus agricultural products and from corn and wheat purchased under section 6 of this Act for the purpose of demonstrating the commercial feasibility and ascertaining the cost of such production, and shall carry on such other research as may be necessary to carry out the programs authorized by this section, including the development of improved processes and the development and commercial production of byproducts.

SEC. 6. The Secretary is authorized to purchase for use in manufacturing alcohol under section 2 of this Act and for carrying out the programs authorized by section 5 of this Act, any corn and any wheat which by reason of its high moisture content is ineligible for purchase by the Commodity Credit Corporation under any other provision of law.

SEC. 7. Section 3 of this Act shall not apply to any purchase of motor fuel during any period when the Secretary certifies that, by reason of a lack of surplus agricultural products or of corn or wheat eligible to be purchased under section 6, he is unable to produce sufficient alcohol to meet the requirements of section 3 of this Act.

SEC. 8. As used in this Act—

(1) The term "motor fuel" means any petroleum product (including gasoline, kerosene, naphtha, benzine, and crude oil) which (A) has a specific gravity of thirty-six degrees or above, Baumé scale, and (B) is suitable for use as fuel in an internal-combustion engine.

(2) The term "United States" includes the States, Territories, and possessions of the United States, and the District of Columbia.

(3) The term "surplus agricultural products" means so much of the supply of any agricultural product acquired by the Commodity Credit Corporation in the course of providing price supports for such product as the Secretary determines to be in excess of the normal needs of the United States.

[H. R. 11189, 85th Cong., 2d sess.]

A BILL To provide for the transfer to the Department of Agriculture of a certain Government-owned alcohol plant, for the purchase and use of grains in connection with the operation of such plant, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the Administrator of the General Services Administration is hereby authorized and directed to transfer to the Secretary of Agriculture, without reimbursement or transfer of funds, the Government-owned alcohol-producing plant at Omaha, Nebraska, known as Plancor Numbered 1608, together with the equipment, facilities and other property pertaining thereto.

SEC. 2. The Secretary of Agriculture is authorized, upon such terms and conditions as he deems reasonable, and notwithstanding the provisions of any other law, to operate such plant or provide for the operation of such plant under Government supervision by lease of other arrangement, for the purpose of manufacturing alcohol from grains which, in the opinion of the Secretary, are inferior, damage, deteriorated, or in immediate danger of damage of deterioration.

SEC. 3. The Secretary of Agriculture is authorized to procure such grain by purchase without regard to the provision of law governing the making of contracts and by transfer, without reimbursement, of Commodity Credit Corporation owned stocks.

SEC. 4. The Secretary of Agriculture is directed to operate the plant, or cause it to be operated, in such manner as to utilize to the fullest extent possible grains of the type specified in section 2 hereof. Any arrangement for the operation of the plant shall be under such terms and conditions as will further the purpose of this Act and may include provision for reimbursement by the payment of a fee or otherwise for any losses incurred by the operator thereof. In the event it is determined by the Secretary that no appreciable amount of grains which are inferior, damage, deteriorated or in immediate danger of damage or deterioration are available either from private interests or from Commodity Credit Corporation owned stocks, he may operate the plant (1) for the manufacture of alcohol from surplus grains regardless of the condition of such grains, and/or (2) for conducting research into new and improved uses of surplus grains for industrial uses. Any grains used in the operation of the plant may be obtained by the Secretary of Agriculture in accordance with the provisions of section 2 hereof.

SEC. 5. The Secretary of Agriculture may store alcohol manufactured at such plant or sell it at such price as he deems reasonable. All proceeds from the sale of such alcohol shall be deposited into the Treasury of the United States as miscellaneous receipts.

SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. The Secretary of Agriculture may also transfer from funds available to the Commodity Credit Corporation such sums as may be necessary to carry out the purposes of this Act.

Mr. POAGE. All of us want to do something on this problem of using this soft corn. I think that everybody wants to use this soft corn if it can be done effectively, economically, and practically and if it can be done profitably.

However, there have been several questions in the minds of some that I know, of the public and I am sure of people from the Corn Belt as to

what the situation actually is and as to whether it would be a feasible proposition to reopen that plant.

One of the main questions has been whether it would be possible to reopen the plant in time to use up the soft corn that is on hand. I think that actually that is the problem that we need to consider this morning and I believe that I am justified in saying that that will be the problem that we will consider this morning, whether it can be reopened in time to use up that corn. So as to keep this hearing within bounds, because we have other problems and we just cannot devote the time that this thing deserves, we will try to limit our discussion to this phase of the problem.

I am saying that just to point out that there will not be any use for anybody to be telling us about the desirability of getting rid of this soft corn. All of us realize that that is desirable, and I could say that the committee could take judicial notice of that fact.

What the committee wants to know this morning is how fast this plant can be reopened; what can we do with the alcohol; when can we reopen the plant and after it has been reopened, what price will we pay for the material that goes into this alcohol, this soft corn, and then what the alcohol will sell for, the selling price of the product; in other words, what are the economics of this proposition and is it economical to reopen the plant just for a short time and then close it down again; and what will be the total costs and when you have added up all of those costs, to find out what would be the profit from the product produced to the Government. I think that these are the things that we want to know this morning.

We have a number of interested parties here this morning, we have a number of people who have come a long ways to attend this hearing, I know.

We have Mr. Harrison, the author of one of the bills on this subject matter, as well as Mr. McGovern and Mr. Hoeven.

Mr. HARRISON. Mr. Chairman, I have invited some of these people who are here in the back of the room. I would like to introduce them.

Mr. POAGE. All right. Suppose that you call them as you want to call them. I have a list here but that does not necessarily mean that they are listed the way that you want to call them, in that order. Would you introduce them?

Mr. HARRISON. Mr. Chairman, I have Mr. Leroy Welsh, Mr. Joseph G. Johnson, Mr. Lewis Smithberger, and Sidney Caughey of the Department.

Mr. POAGE. The Department of Agriculture?

Mr. HARRISON. Yes.

At the outset, Congressman Poage, I want to thank you for giving us this time to appear here and present our argument for the purpose of opening this particular plant.

After your consideration of it as of last Friday I called these people to ask them if they would come. Mr. Welsh has come from California, Mr. Johnson from Nebraska and Mr. Smithberger from Nebraska.

Mr. Johnson was the engineer and original designer and operator of this plant for several years so I think to answer the questions that you have brought up, that Mr. Johnson possibly should be the first witness.

Mr. POAGE. All right, we would be glad to hear from him.

STATEMENT OF JOSEPH G. JOHNSON, ENGINEER AND OWNER-OPERATOR OF THE PLANT UNDER CONSIDERATION, ACCOMPANIED BY LEROY WELSH, CHAIRMAN OF THE COMMISSION ON INCREASED INDUSTRIAL USE OF ALCOHOL, LEWIS SMITHBERGER, GRAIN DEALER AND ELEVATOR OPERATOR, STANTON, NEBR.; AND SIDNEY CAUGHEY, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. JOHNSON. Mr. Chairman, I will try to make this statement as brief as possible. I realize that you people are all very busy here.

At the time that this plant was constructed it was necessary for us to work here for some time and we worked on it over a year with the Senate Committee on Agriculture, when we had the allotment and finally it was released, the money, and we started building the plant.

Prior to that our group had developed many methods, new methods of economically converting grain into alcohol primarily for the purpose of using the alcohol and other products for industrial purposes.

These different programs were built into this plant so that there are a great many things that you can do there with the grain besides making alcohol out of it. So we began working there.

It was released in 1943, January 1943 and we went into production in about 12 months and we processed about 60 million gallons of alcohol—no, about $33 million worth of alcohol during the period that it was operated for the Government.

The cost of producing alcohol in that plant is based or was based on operating it on the cost of the grain per gallon of 190-proof alcohol, and we were getting about 2¾ gallons to the bushel of grain.

The residue that we sold for cattle feed was paying all of the operating costs, so that I would say that as a rough figure that the cost of the alcohol produced at that plant would be the cost of the grain per bushel divided by about 2.75 for the alcohol.

Now, as to the question of the time for getting that plant into operation. I would say that it would take from 60 to 90 days for 2 lines of production and we probably could get the first line of production in operation in about 60 days and the second line in about 30 days later.

There would be a considerable amount of work to do after you get into production because I assume that in making these statements that the plant has been taken care of according to the general regulations of the General Services Administration when it closed down. If it was not, why then it might cost a little more money, it might take a little more time; but I believe that was done, from all of the information I have, that it was done.

As far as the steam supply of the plant goes, that does not belong to the Government; it belongs to the Omaha Power District; their plant is across the street from the alcohol plant.

I inquired before I came down here and that steam can be made available in 3 days time; and also the gas can be made almost immediately available for use for drying the feed and for other purposes.

So, from the standpoint of getting the plant in condition and getting it into service, I believe that the best estimate would be something between 60 and 90 days.

Now, the ultimate cost, if the plant is going to run any length of time—a great many things would have to be renewed as we go along and that would cost some place between $600,000 and $1 million, in my opinion, if it is going to be placed in permanent operation.

Mr. POAGE. Well now, if that is true then, your estimate as to the cost of this alcohol is going to be wrong; if you are going to have to spend $600,000 or $1 million, you have got to add that to the cost of the alcohol, in addition to the cost of the corn; isn't that right?

Mr. JOHNSON. That would depend, if you were just going to start the plant up, for taking care of this particular corn; but you have an agricultural program where you are spending billions of dollars and we worked out several programs and I am satisfied that if that continued a short time that you could entirely eliminate all of the money you are putting out now in your agricultural program for crops that contain starch and sugar, and that was our program that we started with and I am satisfied that can be done if there is an honest effort made to do it.

Mr. HARRISON. That would be a longtime program. At the present time, as I say, it is an emergency program, to open that plant to take care of the corn going out this year.

Mr. POAGE. Yes, I understand that is the purpose of the bill.

Now, in order to get through with the testimony that is to be presented, it might be better to have no questions asked until all of the statements have been received, and perhaps more of the committee members wil be here by that time.

Mr. HARRISON. Very well, Mr. Poage.

Mr. POAGE. Could we hear your next witness now?

Mr. HARRISON. Well, I would like to have Mr. Welsh say a few words.

Mr. POAGE. All right. Mr. Johnson, you may just remain seated there. We will hear you now, Mr. Welsh.

Mr. HARRISON. Mr. Welsh is one of the original owners and operators of this plant and he knows the figures.

Mr. WELSH. Mr. Chairman, as I think most of you know, my name is Leroy Welsh and I am Chairman of the Commission on Increased Industrial Use of Alcohol and I was a partner of Senator Butler of Nebraska and I spent my lifetime in the grain business and in cooperation with Mr. Johnson we built and operated this alcohol plant now in question.

During the past year you fellows here in Congress have had the bill that required the President to appoint a commission to study the industrial uses of farm surpluses, and I was chosen by President Eisenhower to be Chairman of that Commission.

I spent last year, most of my time, commuting back and forth from Omaha to here and I had under my supervision some 200 of the top research scientists of America studying the problem of industrial uses of farm surpluses and I made the report to Congress on the 15th of June this past year on these industrial uses.

In the beginning I want to make it perfectly clear I have no personal interest in operating an alcohol plant for the Government for profit, now or in the future. That seems to have been misunderstood sometimes. But I am willing to donate my services or my counsel at any time I can to this committee or to this Congress or to the Government.

I would like to make one statement. After this year of study with some of the finest research men in the country, I am completely convinced that there is no other solution to the farm surplus problem other than the industrial uses of the farm crops of America.

Now I would like to back up for just a few years. You are talking about an emergency now. When Senator Butler was alive I came down here and with him when to the Secretary of Agriculture and proposed almost the identical thing that is in this bill here today. I would like to leave this statement for the record, but would you like for me to read it, it is rather short, or would you rather have me just give a synopsis of it and then I would be glad to have you enter it into the record?

Mr. POAGE. As you wish.

Mr. WELSH. The title of this is "Profitable Use for Deteriorating Government Surplus Grains," and it was presented on June 24, 1954:

During the past war, the writer, along with a small group of Nebraska businessmen, formed a private corporation called the Farm Crops Processing Corp. and with RFC funds built and very successfully operated at Omaha, Nebr., one of the world's largest alcohol plants—producing some 70,000 gallons of 190-proof industrial alcohol per day from grain.

The alcohol produced proved to be a very valuable aid in producting butadiene (from which synthetic rubber was produced) to keep our army on wheels.

Besides being successfully operated as a private enterprise, we returned to the Government, in fees and taxes during the period of operation, all of the funds used in construction.

Bear in mind that this was built in wartime at very expensive cost.

Now this plant is idle—and I understand is ordered sold.

Certainly, it seems to me we should explore the possibilities of using some of our tremendous surpluses of grain (many millions of bushels of which are spoiling in the temporary storage facilities provided by the CCC) in this plant before disposing of it.

My 40 years of experience in the grain business, along with the operation of this plan for several years, has given me the opportunity to acquire knowledge that I feel sure can be of value in the solution of our national problems that are the direct result of surpluses of grain.

I do not propose to go into detail in this article but all statements made are based upon experience and have been verified by research and actual plant operations.

1. The starch in deteriorated grains is still suitable for conversion to alcohol. Only the starch is used for alcohol.

2. From each 56-pound bushel of grain (wheat, corn, sorghum grains, etc.) can be produced 2¾ gallons of 190-proof alcohol.

3. From the residue (after the starch is removed in the form of alcohol) can be recovered 16 to 20 pounds of high protein feed concentrates running 32 to 34 percent protein that is very valuable for animal feed and is in short supply at present.

4. The present value of these distillers' dried grains would be about $65 to $70 per ton or 3 cents plus per pound so the value of feed recovered is sufficient to pay the cost of conversion and show a very profitable operation of the plant. Cost of conversion is about as follows: $1.50 per bushel corn will produce about 60 cents per gallon alcohol; $1 per bushel corn will produce about 40 cents per gallon alcohol: 30 cents per bushel corn will produce about 10 cents per gallon alcohol.

FREE CORN—ALCOHOL FOR NOTHING

5. Delivering deteriorated grains to this Government plant at no cost would enable the recovery of practically the full value of the original bushel of grain before deterioration, and in addition, the Government would receive 2½ plus gallons of 190-proof alcohol free.

6. Our Government is presently buying large quantities of alcohol as fuel for jet planes, rockets, guided missiles, turbojets, and reciprocating engines. Most of this alcohol is now made from imported blackstrap molasses or from petroleum fractions. Government purchases are probably many times the capacity of this plant.

7. If there were no immediate use for alcohol, it could be stored without substantial loss and much cheaper than the present cost of storing our surplus grains.

8. There are hundreds of uses for alcohol but, of course, it can be made cheaper from blackstrap molasses and petroleum than from high-priced grains.

ALCOHOL FOR RUBBER

9. The alcohol from 1 bushel of grain will produce about 6 pounds of butadiene and this in turn will produce about 6 pounds of synthetic rubber. Should all the synthetic rubber used in America be made from grain alcohol, it would consume some 200 million bushels of grain yearly.

ALCOHOL FOR FUEL

10. Research has been carried on in the Government laboratory at Peoria, Ill., on alcohol for fuel, for automobiles, trucks, tractors, and planes.

11. Automobiles in the United States of America consume some 36 billion gallons of gasoline per year. If they were required to use only 5 percent of alcohol blended in gasoline, it would consume some 700 million bushels of grain yearly. Ten percent would consume some 1,400 million bushels. That's far more than our burdensome yearly grain surplus.

12. Of course, the Omaha plant alone could not solve the agricultural problem but it could demonstrate the feasibility of such uses. This plant was originally built for research on farm crops and there are three other such alcohol plants not now in use.

13. The Omaha plant alone could consume some 10 million bushels of grain yearly and produce some 25 million gallons of alcohol that would replace purchases now being made for Government agencies. At the same time, it would produce some 150 million pounds of badly needed, high protein feed that could be consumed immediately in the territory where it is produced.

There are two ways the foregoing results could be accomplished.

1. The plant could be operated by the Department of Agriculture or the Commodity Credit Corporation. The entrance of our Government in this field might cause considerable opposition and I believe it is the policy of the present administration to avoid competition with private industry. I do not favor this procedure. However, if the decision is made to carry out this demonstration by Government operation, I would gladly donate any assistance I might be able to give to the successful completion of such a program.

2. A private corporation could be formed (such as the Farm Crops Processing Corp. which operated the plant during the last war) and with the complete cooperation of the Department of Agriculture and the Commodity Credit Corporation, the plant could be operated without Government finances. Arrangement can be made with the General Services to acquire this plant either by lease, with option to buy, or outright purchase.

The operation of this plant would be a demonstration of our ability to profitably consume our burdensome surpluses of grains for industrial uses here at home. At the same time, it would recover practically the entire value of the original bushel of grain before deterioration had taken place and return to our Government more than 2¼ gallons of alcohol for each bushel of grain processed and replace purchases that are now being made of alcohol from other sources. It would enable the General Services to lease the idle plant at a satisfactory rental, and result in the final sale of the property to private enterprise. The additional cost to the taxpayer would be nothing.

The paragraph quoted below is a recent appraisal by a present Assistant Secretary of Agriculture of the possibilities of alcohol for fuel.

The proposed alcohol fuel idea eventually could eliminate existing or future corn or wheat surpluses, and also reduce parity costs if adequate legislation were to be effected. The major fuel use is the only known outlet that is large

enough to absorb the quantities of grain that might be available. Also, it would serve to assist the fermentation alcohol industry which now is in a critical position. Such a scheme might be temporarily economic if the savings on parity, crop storage, and losses by spoilage are taken into consideration, as well as the inroads on petroleum resources. From present indications, storage, deterioration and spoilage of grain stocks represent a high annual cost, and—if the present situation is continued indefinitely—much or all of the stored grain may ultimately be a total loss, in the absence of a use outlet. But the program could not be put into immediate operation.

The alcohol could be sold to another department of the Government, to the Defense Department. I was advised last year that it was some place in the vicinity of 50 million gallons of alcohol and I think that the price today is 47 cents a gallon.

I suggested in this that the plant could be transferred to the Department of Agriculture and could be operated by a private foundation.

I want to tell you gentlemen that I think that the operation of this plant should be in the hands of the cooperatives, and that it should be operated by the cooperatives or by some nonprofit organization and under the complete direction of the Department of Agriculture and the grain should be put in there for free and the corporation or whoever takes the plant should put up the $1 million that Mr. Johnson said was necessary not only to condition the plant and put it in working order but to build a laboratory satisfactory for research, they should be repaid on an amortized basis of 20 percent a year and if they were given a contract for 5 years, then that organization or the cooperative or the company that operates this on a nonprofit basis could have all of their money back that they put in there in a matter of 5 years, and it would not require the funds being approved at this time.

Now, in the study of the commission on industrial uses of farm surpluses last year, of that I would like to read a report on the industrial uses of alcohol from grain by one of the task groups—by the way, I had 18 of these task groups studying the different problems of agriculture and this committee on alcohol said:

Steps should be taken promptly to provide for activation and long-range operation of present Government-owned plants and facilities capable of converting Government-owned suprplus grains into alcohol. Likewise, a sufficient number of butadiene units should be activated to use the alcohol so produced, since it appears that such production can be undertaken without seriously interfering with present synthetic rubber production and with the prospect of finding improved methods that will increase financial returns. Some of the products can probably be absorbed through Government activities. Operation of these plants and facilities would provide the opportunity to initiate many techniques and to develop many applications necessary for the beginning of an agrochemical industry.

The long-range cost of the program that is suggested here would be modest in contrast with the present cost of the governmental program for agriculture and the disposal of surplus agricultural products in international trade. Furthermore, it is anticipated that the long-range economic benefits to be derived from this proposal would repay many times the cost to the Government, just as was true in the development of the Nation's general chemical industry.

Mr. Chairman, I would like that to be in the record, if you don't mind.

Mr. POAGE. Without objection.

(Statement referred to is as follows:)

REPORT OF THE TASK GROUP ON INDUSTRIAL ALCOHOL FROM GRAIN OF THE PRESIDENTIAL COMMISSION ON INCREASED INDUSTRIAL UTILIZATION OF AGRICULTURAL COMMODITIES, APRIL 25, 1957

Task Group: Reit T. Milner, Chairman; James W. Faucett, L. J. Gunson, Julius Hendel, Cecil A. Johnson, John W. Livingston, Edward S. Monohan, William B. Plummer, James A. Reid, George W. Rigby, Carl E. Rist, Earl D. Unger

LONG-RANGE PROSPECTS

The long-range prospects for developing an agrochemical industry at the expense of the National Government, through the use of agricultural products, including grains, as the basic raw material, appear favorable and in the public interest so long as:

1. Surplus supplies of grains are being produced, some of which find their way into Government ownership.
2. Storage costs and market supports are financed in part and at great cost by the Federal Government.
3. Export demand is declining except through subsidized disposal effort.
4. The Government acts to adjust production of various grain crops to meet long-range conservation, economic, military, or national-defense objectives.

Because developing a long-range agrochemical industry through research and development work seems to offer the most economic means of using agricultural products, including grains, which now find their way into Government ownership, it would appear desirable, during the period of development, to make Government grain available to industry for research purposes at near-zero cost. If it appears necessary to make some charge for agricultural products, the cost should not exceed the basic raw-material cost for other basic "natural" raw materials, such as petroleum and coal. It is believed that research achievements to produce "higher use potentials" for end products will ultimately justify a higher charge for the raw material. Thus the long-range objective for developing an agrochemical industry should be to make it free of subsidy. In the meantime, the program should not be required to sustain itself in competition with today's national or international market.

The prominent place the United States now holds in the field of industrial chemistry was achieved through assistance of the tariff and other long-range governmental means that were considered to be needed with the advent of World War I and thereafter. There now appears to be a like need and opportunity for developing an agrochemical industry through adequate research and development. Such work should begin by utilizing existing knowledge, facilities, and raw materials. To the end that private enterprise can lead the way to such achievement, encouragement of research is needed in the form of:

1. Grants of aid in money to educational, industrial research and consulting organizations for research and development work.
2. Free use of Government-owned raw materials over a period adequate to evaluate the new processes and developments.
3. Use of available governmental facilities at low rental rates. Additional financial assistance through Government loans, accelerated amortization of facilities, and tax chargeoffs. Long-term raw material supply contracts at fixed prices (independent of current grain markets) that would assure processors of enough grain to maintain continuity of manufacture at reasonable cost. (Although this would be difficult to arrange under usual Government contract procedures, it appears that such agencies as Commodity Credit Corporation could be authorized by the Congress to make such long-term contracts.)

Steps should be taken promptly to provide for activation and long-range operation of present Government-owned plants and facilities capable of converting Government owned surplus grains into alcohol. Likewise, a sufficient number of butadiene units should be activated to use the alcohol so produced, since it appears that such production can be undertaken without seriously interfering with present synthetic rubber production and with the prospect of finding improved methods that will increase financial returns. Some of the products can probably be absorbed through Government activities. Operation of these plants and facilities would provide the opportunity to initiate many techniques and to

develop many applications necessary for the beginning of an agrochemical industry.

The long-range cost of the program that is suggested here would be modest in contrast with the present cost of the governmental program for agriculture and the disposal of surplus agricultural products in international trade. Furthermore, it is anticipated that the long-range economic benefits to be derived from this proposal would repay many times the cost to the Government, just as was true in the development of the Nation's general chemical industry.

Mr. WELSH. Now, gentlemen, Mr. Johnson mentioned and I would like to impress upon you that I think that the real problem—Mr. Chairman, you asked about the economics of using grain.

In our plant we recovered this feed for animals and about 18 to 20 pounds for a bushel, and we got 3 cents a pound for the animal feed, which is about 55 cents a gallon——

Mr. POAGE. What I was actually asking, and I don't want you to get me wrong, or anybody else to get me wrong, because I am sympathetic with the idea of the whole program of using grains for alcohol and everything else and I think it is a great thing and it is something that we need.

However, as I said before, the meeting this morning of this committee is for the purpose of discussing this immediate emergency situation in soft corn.

Mr. WELSH. Yes, I understand.

Mr. POAGE. And we have had bills introduced here early in the session. We have a bill by Mr. McGovern that was introduced February 4 which was for a long-time operation of this plant.

Now, if it is a permanent thing that you are talking about, that is one matter; but the bill introduced by Mr. Harrison and the other bills similar to that were introduced purely as an emergency proposition although I do see that the bills do provide for the Secretary of Agriculture to buy up corn in any condition and so, therefore, if you do not find enough corn in bad condition, then you could buy the good corn, but I had not understood that that was the proposal in this bill, that is, Mr. McGovern's proposal. That is a long time proposal but the committee is not hearing that this morning.

Mr. WELSH. I see.

Mr. POAGE. This is supposed to be an emergency condition to meet an emergency situation, that is, a situation as of how to take care of this corn crop that we have now, so we cannot go into any details upon the permanent aspects of it.

Mr. WELSH. You would like to know—I believe one of the questions you asked was how long it would take to put the plant in operation.

Mr. POAGE. Yes, certainly, and how much of this corn would be used and how much it would cost per gallon for this alcohol using only the soft corn.

Mr. WELSH. Well, 60 to 90 days, it can be put in operation and going.

Mr. POAGE. All right. Now, how much soft corn will you use, how soon will that soft corn play out?

Mr. WELSH. How soon will it play out?

Mr. POAGE. Yes.

Mr. WELSH. Never. We are going to have a surplus of wet corn——

Mr. POAGE. I understand you have one but you cannot keep this soft corn, can you, you cannot keep it?

Mr. WELSH. No, except by drying it and each one of these elevator concerns do have drying equipment and that equipment is running night and day drying that corn, taking the moisture out of the corn. Many of the farmers, themselves, are drying their corn.

Mr. POAGE. That is, the soft corn?

Mr. WELSH. That is right, and they are working hard at drying that.

Mr. POAGE. And after they have done that, after they have dried it, then they have got good corn?

Mr. WELSH. That is right. And I may say, Mr. Chairman, that my elevator is filled with that kind of corn that has been dried out, now. However, the corn-drying facilities are not enough, they are not anywhere near enough to take care of not only the wet corn but the wet sorghum grains.

Mr. ALBERT. Mr. Chairman, if I may interrupt; is this corn that is owned by the Government or is this privately owned wet corn?

Mr. WELSH. Most of it, Mr. Congressman, is in the hands of the private producer.

Mr. THOMPSON. And the problem is processing it?

Mr. WELSH. That is the problem now and the proposal because we are getting to the point where we do have an emergency situation with this wet weather.

Mr. POAGE. Let us come back to this emergency, because you did not answer my original question. How long is this soft corn going to last? You said that you can dry some of it. And when you dry it, and as much of it as you dry, then you do not have any emergency?

Mr. WELSH. Well, I agree, Mr. Chairman, if it is all dried, you don't have any emergency.

Mr. POAGE. That is right, and as fast as you get it dry you limit the emergency by that amount?

Mr. WELSH. That is right.

Mr. POAGE. And how long then will you have an emergency?

Mr. WELSH. Well, if you can get it into proper storage—but as I say, I think that this thing is going to go on because then you are coming into the wheat crop and that will probably have the same difficulties because it will have excess moisture.

Mr. POAGE. Do you think it is going to rain all summer? Suppose you don't have a wet summer next year. Suppose you have better conditions, a better summer, then we will have less of that soft corn?

Mr. WELSH. Well, we will have it continually.

Mr. POAGE. Well, that does not make sense from any point of view that I have heard of in my life, we do not have an emergency every year; do we?

Mr. WELSH. Suppose you ask Mr. Johnson.

Mr. JOHNSON. Well, Mr. Chairman, we used in the operation of that plant before, we used every year a considerable amount of grain that was hauled from Minnesota and as far north as North Dakota and that corn was the butt ends of the outside cribs, that is, the cribs that were—open cribs. And you got down about so far [indicating] and then you find that the lower part of the corn is blue and that is what you are going to have at the end of this season for a great deal of that corn, probably 50 percent or more that cannot be used for hog feed and we will use it throughout the winter——

Mr. POAGE. The winter is pretty near over.

Mr. JOHNSON. Well, we used some one season and over into the next in the plant and probably one-third to one-half of the corn at times was that type of corn.

Now, what happens is that this corn, as it molds, the proteins are the part that is destroyed and the starch is not affected at all, and we produced as much alcohol out of that corn as we did out of the No. 2 corn; so that, for the purpose of making alcohol in that particular plant which was designed to use that kind of material—and I think it is the only plant in the United States that was designed that way—we can use the corn after it has passed the use for any other purpose, and we can make No. 1 or a high-grade alcohol from it.

Mr. POAGE. But, now, obviously, you cannot get a bill passed before the 1st of May—because if we pass it out this week, out of the committee, then obviously it cannot get to the floor until sometime in the middle of the next month, and it will be the first day of May before we can possibly get legislation under the very best possible circumstances, and then it is going to take you at least 2 months—your estimate is 2 or 3 months, and I never saw any estimate that did not work out long instead of short—but even if we give you the benefit of that estimate then it will be the Fourth of July before you get it in operation.

Now, on the Fourth of July, are you still going to have some of this bad corn?—and I will grant you that you will have; but, as it disappears, by the last of July, you will not have any. Will not all of this corn be physically rotten? Is it going to be here physically?

Mr. WELSH. Mr. Chairman, Senator Young of North Dakota will verify this—and if you have a Congressman here from North Dakota he will verify it also—that during the year 1946, when they had sprouted wheat, and there was 100-percent damage of the wheat selling, it was selling for as much as $1 a bushel discount as samples, and when some of that damaged wheat was sent to our Omaha laboratories we were amazed to find that it could produce more alcohol than you could get out of No. 1 wheat, and so we put orders into Minneapolis and in the markets of North Dakota to buy all of the offgrade wheat, and Senator Young will testify, and I have heard him testify, that we raised the price of grain to the farmer in North Dakota that year from 50 cents to $1 a bushel.

Now, then, you talk about the amount available or that will be available.

Let me tell you this, that we went on into Canada and the cost of getting it in Canada and shipping it to Omaha, the cost—of course, the war was on, the war emergency situation was on, and we got hundreds of thousands of bushels of frozen wheat, and we made as much alcohol out of it as we did out of the good wheat.

I am trying to indicate to you, Mr. Chairman, that wheat need not be good in order to make this alcohol; and also to indicate that wet corn is not the only problem.

Mr. POAGE. Well, I understand that, of course, and you are trying to put me in the wrong light because I would like to say that this whole program of using these commodities is all right and I am for it, but unfortunately the committee is here this morning for an entirely different purpose, and I want to clear it up.

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I want it clear that I am not opposed to the program that you are talking about. I am for it. But the subject of this committee hearing this morning, for which this committee was called into extraordinary session this morning, was to consider an emergency program about this wet corn that is now in existence, and the purpose is not to consider the whole program. To do that we have to rearrange our schedule of hearings differently.

Mr. WELSH. I understand, Mr. Chairman.

Mr. POAGE. And the question was that we were to consider, what could we do with this Omaha plant right now in order to give relief to the soft corn that is already in existence.

Now, you tell us that much of it is dried, and I understand that the minute that it dries it has the characteristics of good corn.

You also tell us that, if it stays out there, much of it will spoil. Now, let me ask you this. How fast does it spoil and can you keep wet corn throughout the summer? We cannot do it down south; maybe you can but we cannot keep it. Can you keep it?

Mr. WELSH. I think that Mr. Johnson was trying to tell you that even though it was wet and even though it was spoiled, there will be spoiled corn available to us throughout the year and we could make as much alcohol out of it as from the other corn.

Mr. POAGE. And the question that I have been trying to get answered and that I have been asking is: Will that corn physically remain there or will it spoil and disappear?

Mr. WELSH. Starch will remain there.

Mr. POAGE. The what will remain?

Mr. WELSH. The starch will remain there. The starch is not destroyed. The proteins are destroyed by the corn going out of condition.

Mr. POAGE. Well, it is my observation if you leave it out very long, through our winter, it is going to be gone, the rains will wash it off, there won't be anything there for you to pick up, nothing to put into your cribs.

Now, I do no say that you cannot do it; I am just saying that we cannot. Let me ask you, Does your corn actually stay there, does the grain stay there?

Mr. JOHNSON. Well, Mr. Chairman, we are not talking about a theory. We went through this during the war and we did use that wet corn all the year around, what we call wet corn, and there is enough moisture in it for the corn to mold but it will not destroy the starches. The proteins will deteriorate. That corn will yield, per 100 bushels of corn, 60 pounds per bushel—from that corn we get about 2¾ gallons of alcohol per bushel and out of No. 2 good corn—we get as much out of that wet corn as we do from the No. 2, as was said before, because as it went out of condition the proteins would deteriorate but the starch was not affected; and we found that we got as high as 3 gallons of alcohol on 60 pounds of corn because we were getting more starch in that 60 pounds, and that condition prevailed all through.

Mr. POAGE. Is it your testimony that this corn will not deteriorate in such a manner so that it will interfere with your use of it in the alcohol plant and that the corn will be there, next summer? That

this corn will be there in September and October also, that it will still be usable to make alcohol out of, is that what you are telling us?

Mr. JOHNSON. That is right.

Mr. WELSH. I think there is enough spoiled or what you call spoiled grain—you don't seem to get the idea, the starch that remains within it is available for alcohol, and there is enough of it available within a 100-mile circle of that plant to keep the plant in operation continuously. That is my testimony. Does that answer your question?

Mr. POAGE. That is exactly what we want to know.

Mr. JOHNSON. And I know that from the experience we have had.

Mr. POAGE. Do any committee members wish to ask questions?

Mr. JOHNSON. Also, Mr. Chairman, if I may add, I am certain that there is not enough dry corn available to take care of 25 percent of this wet corn.

Mr. WATTS. I would like to ask, if the bill is enacted and the plant is put in operation to make industrial alcohol—is that what it is going to make, just industrial alcohol or is it also going into drinking alcohol purposes?

Mr. WELSH. Do you know the difference?

Mr. WATTS. No sir, I don't.

Mr. WELSH. There is no difference.

Mr. WATTS. Well, that is what I have heard.

Mr. WELSH. That is right.

Mr. WATTS. Will it be confined to industrial alcohol?

Mr. WELSH. It will be confined to industrial alcohol and it should be confined, of course, to industrial alcohol; and another agency of the Government is buying more than twice the capacity of this plant each year and last year I understand that the price was around 47 cents a gallon and I think that you can take this deteriorated corn and——

Mr. POAGE. What agency?

Mr. WELSH. The Defense Department.

Mr. WATTS. In other words, the bill, as I read it, does confine it to industrial alcohol?

Mr. WELSH. Well, I did not read the bill, I never saw it until this morning but it should, of course, provide that it go into industrial uses and that is what the whole program is for, to use the starches and the grains so as to make the industrial alcohol and you can make synthetic rubber out of it and you can make practically all of the plastics, the same as you can make them out of petroleum.

Mr. WATTS. Do you have to do anything to it before you grind it?

Mr. WELSH. Well, the first thing, when you grind the grain to make alcohol, you mix it with water and then you grind it.

Mr. HAGEN. Let me ask you this question. Why did you lose that battle to the oil industry during World War II?

Mr. WELSH. Why did we lose it?

Mr. HAGEN. Yes.

Mr. WELSH. We did not have the subsidy that the oil people did and do have.

Hr. HAGEN. And can you produce alcohol as cheaply as the oil people can?

Mr. WELSH. No, we cannot. However, I think that if we had proper research—could I go on, Mr. Chairman?

Mr. POAGE. Just a minute, Mr. Simpson has a question, let Mr. Simpson ask his questions first.

Mr. WELSH. All right.

Mr. SIMPSON. Thank you, Mr. Chairman. Now, we had a bill several years ago before the Congress to dispose of these Government-owned alcohol plants and the committee studied those bills and the question of those Government-owned plants. Now, what has happened to that and why was not this plant disposed of according to that legislation? Let me ask you, is this the only one that has not been disposed of?

Mr. WELSH. There are two plants still owned by the Government, the alcohol plant at Omaha, Nebr., and the butadiene plant at Louisville, Ky.

Mr. SIMPSON. They were all sold but those two?

Mr. WELSH. They were all sold but those two and it was attempted to sell all of them.

Mr. SIMPSON. Another question. In my area we have a heavy-moisture content corn, about 20 percent moisture content and this wet corn is not eligible for Commodity Credit loans. Are you talking about corn that is not in the Commodity Credit Corporation or in it or spoiled corn in storage?

Mr. WELSH. I think we are talking about both corn owned by the farmer not in the program and the corn that was not eligible.

Mr. SIMPSON. Well, if it is owned by a farmer who is not in the program and who could not get a loan on this heavy-moisture corn, why has it not been fed to high-priced hogs?

Mr. WELSH. Ask the farmer.

Mr. JOHNSON. There is so much more corn available than stock to be fed that we could not think of feeding all of the corn that we have in the crop in Nebraska at this time.

Mr. SIMPSON. Could you afford to deliver, ship, and deliver this corn from Illinois to these two plants?

Mr. WELSH. I think we could but I don't think it will be necessary. I think we can get it nearer.

Mr. SIMPSON. Well, then it will not take care of the Illinois corn; is that right?

Mr. WELSH. Let me answer this way. During World War II the Government shipped potatoes from Maine to us, but that was during the war, and I cannot answer your questions on transportation problems.

Mr. SIMPSON. I do not understand how this corn with the heavy-moisture content can still be available the year around to your plant. In my area, my farmers are going to feed that corn to hogs or cattle.

Mr. WELSH. Well, that is a fine thing if they can do it. We cannot do it in Nebraska or Iowa. I am not an expert on that, but I think that that would be true.

Mr. SIMPSON. And you gentlemen say that you will have this heavy-moisture corn available for your plant the year around from the farmer?

Mr. WELSH. As the heavy-moisture-content corn gets out of condition it can still be used for the making of industrial alcohol.

Mr. SIMPSON. Do you mean to tell me that the farmer is going to keep that corn until September, that old wet corn?

Mr. WELSH. A lot of them are doing it, and it does go out of condition, both when it is piled on the ground and in the crib.

Mr. SIMPSON. Well, we can never do it in Illinois. And there is another thing that I cannot understand. This corn is stored in Commodity Credit Corporation bins, now, some of that corn is going to get out of condition. The hogs won't eat it. Is that corn that is out of condition in the Commodity Credit Corporation, can it be used for alcohol?

Mr. WELSH. Well, the Commodity Credit Corporation has done an excellent job, in my experience, in the handling of grain because in these bins where it does go out of condition—they examine it and they find it and they sell it to the trucker and he is hauling it all over the United States, to Texas, Alabama, California——

Mr. SIMPSON. May I interrupt. So you get corn, you say, from two sources; from the farmer not in compliance and corn that is in the Commodity Credit Corporation?

Mr. WELSH. That is right; and if you want evidence of the amount of corn that gets out of condition, then you simply have to read the market reports of the Chicago Board of Trade and you will find out that in the years gone by as much as 75 percent of the grain arriving was sample grade and off-grade corn on account of this excess moisture in your own State of Illinois.

Mr. SIMPSON. My people tell me that some of the corn in the Commodity Credit Corporation is not even fit to feed to the hogs.

Mr. WELSH. Well, I don't think that is right.

Mr. SIMPSON. Well, that is what a farmer in my area said, that is what he told me.

Mr. JOHNSON. Congressman Simpson, the greater part of this corn that I am talking about is in our area and I will say that in our district we have 100,000 acres of irrigated land and more than 200,000 acres in all and the greater part of that corn is of the farmers in this program but there is so much moisture in the corn that they are not able to get the loan, although they are in the loan.

Mr. SIMPSON. In other words, they cannot qualify?

Mr. JOHNSON. It cannot qualify, and as far as being able to use that corn all the year around—Mr. Congressman, we are not talking about theory because during the war we did do that 3 years in succession and we had it during all of that period and we did exactly what we are planning to do now, so it is not any theory, but it is a thing that has been done and has been done for 3 years continuously.

Mr. SIMPSON. The corn was not obtained from the Commodity Credit Corporation?

Mr. JOHNSON. It was in the hands of the farmers.

Mr. SIMPSON. In the hands of the farmers?

Mr. JOHNSON. Although he had his contracts and was in the program but when they made the test they found excess moisture and they won't give him a loan.

Mr. SIMPSON. And that is exactly the same condition as the corn in compliance——

Mr. HARRISON. Whether they comply or not, the farmer still has wet corn.

Mr. JONES. Mr. Johnson, you mentioned the fact that the plant was operating for 3 years and you are speaking about the experience you

had then. What other commodities were processed outside of corn? I believe you mentioned potatoes that were used about the same.

Mr. JOHNSON. We processed corn, wheat, and also flour and sorghum grain and potatoes and we made from that alcohol, corn oil, and soap stock and we also made about 300,000 pounds of sirup per day when there was a sugar shortage during that period, and we made potato flour.

Mr. JONES. Did you ever at any time get into any difficulty about getting commodities to keep your plant running at somewhere near capacity production?

Mr. WELSH. May I answer that? I was in the grain business and I took charge of that.

During the entire operation of the plant not 1 day was it shut down for lack of supplies. We did at time have to store some grain that was coming in, in too big quantities in Omaha.

Mr. JONES. And it never was shut down because of lack of supplies?

Mr. WELSH. Never.

Mr. JONES. Thank you.

Mr. JOHNSON. We had a period during that period when we had wet grain in other areas and it was dried and we shipped, we shipped trainloads of sorghums from west Texas that was wet and it was so wet that when we would take the boards out of that car, that grain had gotten so far out of condition that it would not run out of the car, that is, we would take out the barrier and it would stand vertical because the mold was holding it in place, and we had many cars in that condition.

And we found, Congressman, that we could put dry ice in those cars and ship them and they would remain in such condition so that—well, the grain was easier to handle that way.

Mr. JONES. And all of this corn was shipped in the shell?

Mr. JOHNSON. All shell.

Mr. WELSH. Is a Congressman from Texas here?

Mr. POAGE. I am.

Mr. WELSH. You are from Texas, sir?

Mr. POAGE. Yes.

Mr. WELSH. Well, go down to your market at Dallas, Tex., and at Fort Worth, and you can find out what we did for some of the mills down there, where they could not sell whole carloads of sorghums because they could not unload it, and bought those carloads of sorghum grain in your markets and we sent them to Omaha.

Mr. POAGE. May I remind you again that the subject matter of this meeting is not what you did in running your plant then and is not what can be done in a general program of using agricultural products in chemical industry. I tried to make that clear at the beginning and, speaking for myself and I think for the rest of the committee, we are all thoroughly in accord with doing that sort of thing, but the meeting this morning was on the question of this emergency situation.

We were advised that we were caught in an emergency and this meeting was called solely for the purpose of dealing with an emergency situation for the benefit of the people who have got soft corn that is in existence now.

This meeting does not have a thing in the world to do with what you bought in Dallas several years ago or what you would be able to do several years in the future. It is what you can do in the next few

weeks for these people who have soft corn in the Corn Belt right now. The question is whether it is efficient, whether it is economical, whether it is justified to reopen this plant simply to take care of this present emergency.

That is the question before us. Of course, I know that it is almost impossible to keep from getting off into these other things, but please let us try to keep this committee on the subject matter. Any other questions?

Mr. QUIE. What price would you be paying for corn? I understood you to say that you think there would be enough available within 100 miles of the plant. What are you paying for that high-moisture corn?

Mr. WELSH. Well, today, if you go to Muscatine, Iowa, one of the plants there which is half the size of the Omaha plant, that is operating right now—it was sold to a private enterprise, it is operating right now and it is making industrial alcohol, and he told me the price of the grain that he is buying, it is under $1 a bushel, somewhere at 85 cents a bushel.

Mr. QUIE. You could pay up to 85 cents a bushel for corn and still make out?

Mr. WELSH. Well, I am just guessing—under a dollar a bushel.

Mr. POAGE. Well, "under a dollar a bushel"—how far under the $1 a bushel is it?

Mr. QUIE. Ninety-seven cents——

Mr. POAGE. For soft corn.

Mr. QUIE. For hard corn.

Mr. POAGE. Well, sure, but what are they paying for the soft corn?

Mr. WELSH. We bought corn in the Omaha market, my company, in the past few months for as low as 68 cents a bushel, I know that.

Mr. POAGE. You are not paying any more than that?

Mr. WELSH. You mean—I am not speaking personally, but——

Mr. POAGE. I mean this, if this plant were to be opened again, it is not going to pay more than the market, is it?

Mr. WELSH. Well, I think that the market—that might strengthen the market on your offgrades, you see.

Mr. POAGE. Well, what do you have to pay in order to be on a competitive basis?

Mr. WELSH. $1 a bushel or slightly less, 85 cents a bushel would be my guess. I am not active in that end of the business now, you see.

Mr. QUIE. How much would it cost to process this corn, if you get 2¾ gallons of alcohol out of a 60-pound bushel of corn, and it is 47 cents a gallon, how much would it cost to process it, and find out how much you would pay, be able to pay?

Mr. JOHNSON. I made the statement in my opening remarks that we could pay all of the processing cost and operating cost from the byproducts and the residue from it—so that you can base your cost of making the alcohol on the proposition of dividing the cost of the bushel of corn by 2.75, that would be your cost of this alcohol.

Mr. POAGE. I would like to ask you, how much of that alcohol can you sell for 47 cents a gallon?

Mr. WELSH. I don't know—you mean the Government? The Government could get it, they could contract for it.

Mr. POAGE. Is the Government the only purchaser of this alcohol?

Mr. WELSH. No, we had a lot of industrial users of alcohol.

Mr. POAGE. And they paid 47 cents?

Mr. WELSH. I do not know the present price. I am talking about the prices that were in force, when I was here last year, when I had access to that information, it was 47 cents.

Mr. POAGE. Well, what is the price? There is no secret about what the industrial people pay for alcohol, is there? There is no secret what they pay for crude oil, there is no secret what they paid for corn, is there, is there any secret what they pay for alcohol?

Mr. WELSH. I have not had occasion to try to find out, in the first place. I think you can find out.

Mr. POAGE. Is there anybody in this room who claims to know what they can sell this alcohol for to the public, other than the Government?

Mr. WELSH. I am not in the alcohol business.

Mr. POAGE. I asked, is there anybody in this room? Mr. Berger, have you got the slightest idea?

Mr. BERGER. I have not followed the market, I am sorry.

Mr. POAGE. I do not mean to say that you should know, Mr. Berger, but I thought that maybe you would know.

Mr. BERGER. No.

Mr. POAGE. So, we ought to have for the record that information, how much they get for this alcohol and how much you could sell.

Mr. HARRISON. The information I have from several sources is that it is from 47 to 50 cents a gallon.

Mr. POAGE. That is what you sell for to the Government.

Mr. WELSH. I think the market is nearer to that point.

Mr. POAGE. Well, what I cannot understand—I do not know a thing in the world about this business, but I know that when I buy calves, I know that if I can sell them for twice what I paid for them, I am going to buy a whole lot of them.

Now, if we have got a lot of corn, we have got to feed it or it will spoil. What I am getting at, although I have been having a hard time getting my questions answered—this is my question, if you could sell this alcohol for roughly 50 cents a gallon and if you could make 3 gallons out of this spoiled corn that cost $1.50, and you are talking about paying that, and you are talking about corn that is so spoiled that you cannot even handle it with a scoop, you have to have a bucket to handle it, now you tell us you pay $1.50, and you add your cost and you still make a profit—what I am trying to figure out is why in the world all of these people who are getting 3 percent for their money, why don't they put their money in alcohol plants, if they have this stupendous profit?

Mr. WELSH. Well, by the time you got going the price of alcohol would be reduced by the petroleum people to 25 or 35 or thereabouts, Mr. Congressman.

Mr. POAGE. Well, does the same thing happen when the Government sells for——

Mr. WELSH. Mr. Chairman, if I may——

Mr. POAGE. No, you just keep ignoring my question. I want to ask you, Won't the same thing apply if the Government is selling the alcohol?

Mr. WELSH. I do not sell alcohol and I do not buy alcohol for the Government and all I know is what the Government is paying.

Mr. POAGE. I take it that you are here, along with these other gentlemen, in order to help this committee to decide whether to open this plant or not.

Mr. WELSH. I am, sir.

Mr. POAGE. And part of the considerations as to whether we open it or not is what you can sell the alcohol for, isn't it?

Mr. WELSH. That is right.

Mr. POAGE. And so I think it would be a fair question and we just want to know; we are not trying to embarrass you, but you came here as an expert witness and I think you do know more about it than most of us. You have had experience with this plant. We just want to know how much of this alcohol you can sell, what price you can sell it at and to whom you can sell it.

Mr. JOHNSON. Mr. Chairman, I would assume as long as the Government is using considerably more alcohol than can be made in that plant, that they would take that alcohol themselves first before they would buy from someone else, if they were operating that plant.

Mr. POAGE. Well, if you sold it to them at 50 cents a gallon and if the petroleum people would sell as you suggest at 35 cents, then I think that it would be rather ridiculous, they certainly would not sell it to themselves at more than it cost to make it——

Mr. WELSH. Unless they pay $1.50 a bushel for corn, they can sell it for more than the cost to make it and——

Mr. POAGE. Well, are you suggesting that they should pay more for that corn that it is worth? Now, let us find out what you are talking about and let us find out if you are following me.

If you only paid 50 cents a bushel for that corn then they can sell that alcohol to themselves for 25 cents a gallon, can't they?

Mr. WELSH. Right.

Mr. POAGE. And if they sell that alcohol at 25 cents a gallon then will that not put that Iowa plant out of business—that is right, isn't it?

Mr. WELSH. Well, I would not want to say, because there is a demand for more alcohol than you can make in this plant.

Mr. POAGE. Is there a demand for more alcohol than is being produced right now?

Mr. WELSH. I did not get that question.

Mr. POAGE. Is there a demand for more alcohol than is being produced right now?

Mr. WELSH. I would not assume that there is; no.

Mr. POAGE. Neither would I, and so, obviously, whatever this plant in Omaha makes that is in addition to the alcohol that is being produced right now.

Mr. WELSH. That is right.

Mr. POAGE. And how are you going to sell that, you are going to add that to the total gallons of alcohol that are being produced——

Mr. WELSH. Mr. Chairman——

Mr. POAGE. Let me get an answer to that question. I think that it is vital. I think that I can understand this, that you can take the soft corn, but if in fact we are producing all of the alcohol that there is a market for today will we not put someone out of business who is now buying corn?

Mr. JOHNSON. You would probably ship in less petroleum from foreign countries and make less petroleum alcohol.

Mr. POAGE. Well, let us follow that up. If you sell more of this alcohol it will, you say, reduce the imports of petroleum—you know you are not going to reduce the petroleum imports, because in the first place, if you open this plant and you take X bushels of corn to run it, then you are going to reduce by exactly X bushels of corn in the amount of soft corn that is bought in Illinois, bought in Minnesota, bought in Missouri, and bought in other places, isn't that true?

Mr. JOHNSON. I would not say that that was true; no, sir.

Mr. POAGE. Why isn't it?

Mr. JOHNSON. Because the corn we would use for this purpose is corn that will not be used for any other purpose and will be destroyed completely.

Mr. POAGE. Well, I can recognize that. Now, let me ask you this. You can sell Y gallons of alcohol?

Mr. JOHNSON. That is right.

Mr. POAGE. And when you sell Y gallons of alcohol into the market, you reduce by exactly that amount the number of gallons of alcohol that this Iowa plant and similar plants can sell, isn't that true?

Mr. JOHNSON. We would reduce also the amount of petroleum alcohol.

Mr. POAGE. All right, you would reduce the total amount of alcohol now being sold from all other sources.

Mr. JOHNSON. That is right.

Mr. POAGE. Presumably it would all be corn alcohol and you simply take the market away from these other people producing alcohol?

Mr. JOHNSON. The sales are based on the demand.

Mr. POAGE. Well, you do not change the demand by this plant?

Mr. HAGEN. Would you yield?

Mr. POAGE. I would rather have the gentleman answer my questions than to yield at this point. I just want to get the record plain. I do not see how this is going to increase the total sales of corn alcohol in the United States and until I can see that——

Mr. HAGEN. It apparently is competitive with oil alcohol or else the Iowa plant would not keep in operation, unless it were competitive.

Mr. POAGE. Well, a certain amount that the Government is buying——

Mr. WELSH. If I may interrupt, let me see if I can clarify this.

Mr. POAGE. I wish you would.

Mr. WELSH. I think we are getting a little confused. Mr. Johnson and I have never made or sold a gallon of alcohol from grain since 1946 so we cannot pose and are not posing as experts on the demand for alcohol today.

Mr. POAGE. I know, but neither have I nor any of the rest of the people here. None of us are experts.

Now, can you tell us where we can find an answer?

Mr. WELSH. I will tell you where you can get this information, from Mr. Gunson, head of the Public Industries in Philadelphia. He can give you all the information you want on the cost of production and he can give you the cost of grain and he can give you the demand and all of the things that I do not have.

Mr. POAGE. Unfortunately, it is you who is before the committee; Mr. Gunson is not here. Perhaps we can get that information at another hearing but we want it at this hearing now; we are trying to

get the information so that we can test the proposals you are making. I don't blame you if you don't have it, but I am just asking you a simple question and I think it is one that you can answer.

Mr. JOHNSON. My reasoning is this, that the alcohol made from this grain, and the amount you are going to pay for this grain, it will be sold for less than the alcohol now made from the petroleum products and the greater part if not all of the replaced would be replaced by alcohol from this spoiled grain that you are now making from petroleum products——

Mr. POAGE. At what price does grain sell or have to sell to be competitive with this petroleum alcohol? You told us something about it being sold for 68 cents. Now, obviously, the existing grain alcohol manufacturers can buy this grain at 75 cents and they can buy it——

Mr. WELSH. I do not think that is correct; I didn't make that statement. I said under $1 a bushel and I thought between 85 cents—but there had been carloads full of corn that were sold as low as 68 cents a bushel.

Mr. POAGE. What are you paying at the present time?

Mr. WELSH. I don't know. I did not come down as an expert on that.

Mr. POAGE. We have been told before that corn coming out of Iowa sold at 72 cents. Is that right? And if it is selling for that, those people probably know about it and probably are paying no more for it, and I think that is a reasonably fair figure and then you are telling me that we cannot compete with petroleum alcohol at 72 or 75 cents for corn; is that right?

Mr. WELSH. No——

Mr. POAGE. Can you make alcohol as cheaply from corn as from petroleum?

Mr. WELSH. Well, will you tell me what the petroleum price of alcohol is?

Mr. POAGE. I haven't any idea.

Mr. WELSH. If we start from there, I can tell you.

Mr. POAGE. But you are telling me now that by opening this plant you will be below the petroleum products price, but unless you know the petroleum products cost, how do you know you will be lower?

Mr. WELSH. I told you that I thought the petroleum price was some place in the vicinity of 45 cents a gallon.

Mr. POAGE. You think the petroleum price is 47 cents?

Mr. WELSH. That is right.

Mr. POAGE. I am just told by our staff that Friday's price on corn ethyl alcohol, 190-proof ethyl alcohol, was 20.6 cents. That would mean, would it not, that if these figures are correct they would have to buy this corn for less than 60 cents a bushel? Isn't that about right?

Mr. WELSH. To make 20-cent alcohol?

Mr. POAGE. Yes.

Mr. WELSH. Yes; I would say 50 cents to make 20-cent alcohol.

Mr. POAGE. Now you surely do not contemplate buying this corn at less than 60 cents a bushel? As a matter of fact, isn't this grain alcohol selling because of what it is made of, rather than because of its price? There is no grain alcohol even today selling in price competition with petroleum alcohol, is there?

Mr. WELSH. I am not in the business today, sir.

Mr. POAGE. I beg your pardon?

Mr. WELSH. I am not in the business today. I was in the business in 1946.

Mr. HOEVEN. Mr. Chairman, I would like to get back in the groove here now for just a minute.

I introduced H. R. 11753 on this subject, which is very similar to the Harrison bill and others. I appreciate the fact that that bill rather covers both the short-range and the long-range program. What I had in mind, of course, was to meet an emergency situation as of now, and then the legislation that comes out of this committee would be properly amended to that effect.

I am thoroughly convinced that one of the greatest mediums of alleviating our surplus problem of agricultural commodities is to find new uses, and certainly one of those is using grain in alcohol—converting some of this corn into a type of product.

Well now, on the emergency basis, of course I am disappointed that it is going to take so long to put this Omaha plant into operation, from 60 to 90 days, and from practical experience we know that that is likely to be 120 days.

The thing that disturbs me is that we have an emergency as of now which we are trying to meet. Now we do have a lot of soft corn, wet corn, in the Midwest, particularly in Iowa and Nebraska. A lot of that corn is not eligible for Government loan; a lot of it has to be sold right now, in the coming week or two, due to the spring thaws—we have to get rid of it. Some of the wet corn has sold as low as 71 cents a bushel in my area, and particularly from the landlord's standpoint that is not very desirable. Now there is a lot of that wet corn being fed, of course, going in to increase the livestock numbers, both in cattle and hogs, and a lot of the corn is being dried. However, the drying equipment is at a premium. These dryer operators have a long waiting list, and there are many instances where they cannot possibly get to dry this corn within the next 2 or 3 weeks, or when the so-called spring thaw is on. It should be met before that time.

Secondly, the price of drying is rather an expensive business. It is costing from 10 to 12 cents a bushel to dry this corn, and even after the corn is dried it is not always satisfactory—there is still some of that corn that may be wet and will still spoil.

So what we are trying to do here, is sort of a crash program, to take care of the particular situation as the Corn Belt. Now I realize that the long-range program will need a lot of testimony. I am all for that kind of a program, but if we could do something now to meet this emergency—a lot of the corn, as I say, cannot be dried. Some of it is being fed, but some of it cannot be fed, and it cannot be sealed, so it is going to be a loss to the particular farmer or landlord who has this corn in his possession.

Now we have this plant in Omaha, and I sincerely hope it could be opened a lot sooner than it can be. But if it cannot be opened until the 1st of July, I think maybe we have the cart before the horse.

Can you make any comment on that?

Mr. WELSH. I would like to know if you have made any investigation of the present prices of alcohol in the writing of your bill—have you made any investigation of the present prevailing prices of alcohol?

Mr. HOEVEN. No, I know nothing about that.

Mr. WELSH. I suggest Mr. Berger here, in charge of all the surplus grains for the Commodity Credit, can tell us more about the value of grain than any of us could possibly know.

Mr. HARRISON. Mr. Examiner, I think the Congressman is exactly correct, we have to treat this from the standpoint of an emergency. Now rather than starting a business out here with the idea of selling alcohol from this time on—the reason that corn today is selling for 71 cents a bushel is that it is distress corn. It is corn that the farmer cannot find any other market for. He needs money. He could not sell it at the regular price if it were dried; or, if it were storable corn, he could get $1.10 a bushel for it. At least that is the support price on noncompliance corn. Now he has corn that is going to go out of condition, and I would like for Mr. Smithberger to develop this, as to what the need is. I think it can be developed here, in commercial corn areas and particularly in those areas that grow corn for market only, that there will be at least 50 percent of the farmers out there who will not have a market for their corn. And if they do have a market, it will be a distressed one.

So our problem here is to get this corn into alcohol. Maybe we do not have a ready sale for it, but it is a market for this man is going to lose his entire crop—which, as I understand, is about 25 or 30, or maybe 40 percent of the farmers in this commercial corn area. Now that is where we are, rather than trying to develop a market here for this particular product.

Now as far as we have been able to develop, the Defense Department does use about 50 million gallons of alcohol. Now whether or not that is the market for this particular product, I do not know and I do not think anyone else knows.

Mr. POAGE. Are you suggesting that we convert this corn into alcohol and maybe keep it?

Mr. HARRISON. That is exactly right.

Mr. POAGE. You will agree, actually, if they go to selling this alcohol in today's market, that it will simply reduce the sales of other producers of grain alcohol by exactly the same amount that they sell into the market?

Mr. HARRISON. Maybe we would have to store this for a year, but it is in storable condition——

Mr. POAGE. I think that is a good suggestion, but I mean, you do agree that it is true that if you put this plant in operation and produce, say 50 percent as much alcohol as we are now using, that it would simply reduce by 50 percent the sales of the existing suppliers?

Mr. HARRISON. That is exactly right. If the market is full today, why any additional is going to run over. We are doing here with a completely emergency program, and this farmer is all we are trying to take care of.

Now I do not know that this 100-mile radius that someone has mentioned is the area that can be helped in this particular case. I think the area could be much larger. But the need for it, I think, can be developed by Mr. Smithberger, who is in the grain business, a farmer and a cattle feeder, out in that area, and knows pretty much about what the condition is in his particular county. And I think the thing that is true in his county with respect to this corn is true in many counties, and Mr. Simpson's district, Mr. Hoeven's, Mr. Harvey's, and

the rest of the corn area. I think we need to develop is purely from the standpoint of combining the market for this man who is not going to have a market, or if he does, it is going to be a distressed market.

Mr. POAGE. I want to correct a statement which I made a few minutes ago because Mr. Heimburger just called my attention to the fact that he had secured a wrong figure on the price of ethyl alcohol; it is actually selling for 47 cents instead of 20 cents. Apparently the price of grain alcohol and of alcohol made from petroleum is competitive.

Mr. HARRISON. That is the information that came to me the other day in making inquiry of the Defense Department as to——

Mr. POAGE. I do not know where we got this 20 cents. Anyway, the Department of Agriculture supplied the figure, and says this is the right price, and I am sure it is.

Mr. HOEVEN. May I ask Mr. Welsh a question? May I ask this one more question?

Mr. WELSH. Yes.

Mr. HOEVEN. Do you know of any other avenue of approach to take care of this so-called wet corn except to convert it into industrial alcohol?

Mr. JOHNSON. I do not know of any other approach because at the time that we were using this corn, we also had two pilot plants in our plant that we were working on, on other processes, and we could not find any other use for it at that time, and we worked on it for more than 3 years. When we get into the processing of spoiled corn—we spoil the part of the grain that we can use for other purposes. Now the proteins can be separated in No. 2 corn and used for human food before the corn is processed, and for the long-range program that, in my opinion, is what must be done. Because the entire world is short of proteins in their food, and instead of sending large sums of money to help out with food in some of these foreign countries, we could do a great deal better if we would send them a protein to put in, just the same as the K-food that Kellogg is making now. We went into that process and partially developed it. The Department of Agriculture in their laboratories have gone further with it, and in my opinion, that is going to be the final outcome of this whole agricultural program, to separate the proteins from the starches and put the starches into alcohol, that would be a byproduct at that time and can be sold at most any price because the proteins will then pay for the cost of the grain. Of course, that is the long-range program. But we went far enough into it so that we know that program is a sound program.

Mr. HOEVEN. Well the only thing that disturbs me in this entire picture is the time element involved, and what in the world can we do right now to remedy this situation. We cannot get this plant into operation for 90 or 120 days. That is the thing that confronts this committee. I think, as to the long-range program, we would have ample time to work that out.

Mr. JOHNSON. Of course my estimate on that is based on full operation. Of course, you would probably get it in operation and use some corn, but I am thinking about using 40 bushels a day. And I think it will take that long before you get it up to full production.

Mr. POAGE. We are very much obliged to Mr. Welsh and Mr. Johnson for going into this. We only have a few minutes left.

Mr. SMITH. I would like to ask a question, Mr. Chairman?

Mr. POAGE. I cannot refuse. Go ahead.

I am just trying to move along, but go ahead, Mr. Smith, please.

Mr. SMITH. Has anything ever been tried to store this alcohol underground, the same as they store many other commodities now? Do they have to pack——

Mr. JOHNSON. I do not know what the Government is doing about it. We have always stored it in tanks, about the same as oil is stored. At this plant there is storage for more than 2 million gallons of alcohol.

Mr. POAGE. That is all. Thank you, gentlemen, very much. We have only a few minutes left, and we must have an executive session before we close.

Congressman Jensen is with us, and he wants to testify and we want to hear from him. We have other expert witnesses from the Department, so I am going to try to enforce a rule that no questions be asked—starting with the chairman—and try to limit the witness.

However, we want to hear from you, Mr. Jensen.

Mr. JENSEN. I will finish quickly.

Mr. POAGE. Proceed.

STATEMENT OF HON. BEN F. JENSEN, A REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF THE STATE OF IOWA

Mr. JENSEN. I am pleased, Mr. Chairman, and grateful for this opportunity to come before the committee on this important matter. I am very much in favor of this legislation to open the plant at Omaha. I think it is one of the most important steps that we can take today to finally get started on a program, I hope, that will relieve the farm problem.

Now you have been talking considerably about this wet corn. Of course, we all know that wet corn is in Government storage, it is in the hands of noncompliers, it is in the hands of compliers, and it simply must be used up in some manner rather than just letting it lay and go to pot. Now I am informed by a gentleman who runs an elevator, and he is in this room right now, Mr. Smithberger of Stanton, Nebr., an elevator man, that it cost him 38 cents a bushel to dry corn, and when he gets all through drying it it is worth just about as much as chaff. Here is some of it right here. Mr. Smithberger has a sack full of it.

Now this corn, when it is wet, of course, is worth whatever they can pay for it to feed. After they spend 38 cents a bushel to dry it, it takes most of the oil out of it and the feed value has been reduced. You can see this corn, you can bite into it, like we farmers do, and you will see that it is nothing but chaff. There is not much feed value left in it.

So it is very important that we use this surplus grain that we have, this wet grain, in industrial alcohol. And that alcohol can be used, of course, for many purposes, as the gentlemen have explained.

I have great respect for the two gentlemen who have just testified before you, and they have tried their best to stay on the subject. I think at times they were lead off the subject.

Mr. DIXON. Mr. Chairman, if the gentleman's time is so short, don't you think we should listen to him?

Mr. POAGE. I hope all members will listen to him. We are interested in what he has to say.

Mr. JENSEN. I thank you.

Now as you know, most every Member of Congress knows, and many people in America know, Senator Mundt introduced a bill last year, and the year before, which provided that 5 percent alcohol mix should be put in every gallon of motor fuel.

That bill, of course, has not gone through the Congress. Mr. Welsh, who is Chairman of the President's Advisory Commission on New Uses and Industrial Uses for Power Alcohol, sat for months, and a report was issued which turned thumbs down on our bill. That report said that a 10-percent mix in alcohol would be proper and would make the gasoline more efficient, and a 5-percent mix would not be enough alcohol to burn up the moisture that was collected in it. And, that a 10-percent mix would use 2 billion bushels of grain a year, which would be more grain than we would dare use, because it would use up our surpluses too fast.

Now then, I generally like to speak right straight from the shoulder, and I will say that now we learn that the two gentlemen who wrote that report were chemists, or engineers, from the petroleum industry, and as we know, the petroleum industry has fought the use of alcohol in grains ever since it was first mentioned way back in the early thirties.

But they are suffering for it today because of the fact that the farmer is in trouble and his dollar is only worth about 82 cents in buying power so he cannot buy the gasoline and oil that he would be buying if his dollar was worth 100 cents in purchasing power.

So they are cutting off their nose to spite their face. Before the advent of the iron horse, our horses and mules used to eat the production of 43 million acres of our land. Then the iron horse came and we did not continue to feed that iron horse the grain in liquid form, and so it is very simple. If we had planned a farm recession, or depression, we could not have done a better job.

Now we spend billions of dollars a year on this farm program to store all these surplus grains, and when we get all through we are not a bit better off than we were to start with.

Our economy starts from Mother Earth and so we had best start doing something, even at this late date that will help the farmers of America, because we are all in the same economic boat with the farmers in the final analysis—oilmen and all. So I am terribly disgusted with the oil industry, which constantly opposes such legislation.

In Brazil today they are using as much as 35 percent of sugar alcohol in their motor fuel because they have a big surplus of sugar. They have a law down there which requires that a certain amount of sugar alcohol shall be used in all their motor fuel. And they are getting along good.

Now then, the oil industry claims that there is a problem in using that much alcohol in their gasoline, but they admit that a 10-percent mix works very well. However, here the oil industry even fights a 5-percent mix. And I have heard Congressmen from the Southern

States, our oil-producing States tell me that they would have to be opposed to it because they produce oil in their States. They do not realize that they are in the same boat as the rest of us in any economic storm.

So, gentlemen, I hope that this committee will approve this bill, and that the Senate will approve it, and I am sure if they do the President will sign it because certainly this is the only way we can use up this corn which is spoiling. And I do not think there is any one of us who wants to be a party to letting grain spoil beyond the point where it can be used, even though we have a surplus, as long as we have this way of using up the spoiled corn. That is all, Mr. Chairman.

Mr. POAGE. Thank you very much, Mr. Jensen. We are always glad to have you appear before this committee. You are always interested in the problems of the farmer and we are glad to hear your views.

Now I do not want to rush this matter, but we must hear from Mr. Smithberger—remembering not to ask him any questions.

We will be glad to hear your statement, Mr. Smithberger.

Mr. HARRISON. I would like to tell you who Mr. Smithberger is. He is from my district. He is an elevator and grain operator, both a farmer and cattle feeder, and he knows some of the problems out there that the farmers are up against, and I think he has some information that will give us the situation out there with respect to need.

Mr. Smithberger is from Stanton, Nebr.

Mr. SMITHBERGER. Mr. Louis Smithberger, of Stanton, Nebr.

First, as a farmer, I want to clear up one thing. I have some of this corn under seal that just passed 20½ moisture. I will assure you that we can keep that corn until next fall, or possibly later, in the state where it will still be valuable for alcohol; but I will assure you that it will have to be bought at a discount if it is to be used for livestock feed.

Now, there is no question but that this corn—and I say, it has passed and it is under seal to the Government, and will be taken over by them on the 31st day of August. It is going to be their problem from then on. It is true I will have to take some discount on it for damage. What they will do with it then, I do not know, because it will not be fit to ship abroad, that is for sure.

If that comes onto the open market, along with all the rest of my neighbors' corn and that of the surrounding States, it will depress that market much worse than it is today, I will assure you.

Now to dry that, just this kind of corn—it is 24 moisture. It was dried down to 11 so that it would keep. It was corn that could be fed, but it is certainly a poor feed right now in its dried state. Now, that corn cost me $119.38 to dry. I had 108 bushels and 37 pounds shrinkage on 663 bushels. It shrank one-sixth in this drying process. So this corn, going into the dryer at 80 cents a bushel, cost me $1.18 as it appears in that sack in its terrible state. That is why this is an emergency, and that is why we have to do something to get this used up in another form other than feeding.

I feed cattle, I know that we cannot feed it up fast enough. The drought of past years depleted our livestock supply to the place where the average farmer does not have the livestock sufficient to eat up this wet corn before it will go out of condition.

From an elevator standpoint I know that we are going to have to take in milo that went into Government seal in a wet condition. It is going to come to us in a damaged form. I do not know what they are going to do with that, and that was just a month ago. But I am confident that we can store it to the place where it will be of value for alcohol.

But it certainly will not be of value, or much value, for livestock feed.

Mr. HARRISON. Can you make a statement as to what the condition is in Stanton County?

Mr. SMITHBERGER. I can give you the exact figures on Stanton County. I realize you have figures from all over this United States, but maybe I can give you a specific example. This was prepared by our county agent, together with the PMA office.

At the present time we estimate that we have 1,300,000 bushels of corn in Stanton County that is piled in outside rings. This is in outside rings, mind you, exposed to the weather as it is today. This does not include the crib corn in permanent shelter cribs. Approximately 500 cribs have been tested for sealing within the county. Of these 200 have passed, the other being too high in moisture. Of these 200 the moisture content has been about 20.3 moisture. The other 300 averaged 23 percent moisture, and many other cribs have been above 23, running as high as 28 percent.

The average damage in these cribs, and this was when it was tested, was 8 percent. Of those cribs that have passed inspection, many have been tested three times, and sometimes this moisture goes up and sometimes it goes down. Now that depends upon the weather. At the present time we are having a very rainy spell out there, we have had snow and rain, and the moisture is going up constantly on this stored corn. However, in view of the present weather conditions and the high moisture content of the crib corn, it is apparent that much corn will spoil this spring unless it can be processed in some way or used up rapidly. However, there is not enough livestock in the county at the present time to use it up fast enough. Some cribs that have been opened recently are already showing considerable spoilage, and as warm weather approaches much more spoilage will take place in this high moisture corn.

I am bringing this to you just as a specific example. This is our problem out there, and I know it exists over a large territory, not only in the State of Nebraska, but Iowa, Minnesota, and Kansas. I recently made a trip to Texas, the chairman's State, and I found down there that the elevators were filled with milo and wheat, and on the outside of the elevators there were thousands and thousands of bushels of milo piled right out in the open. Now that has to move in the very near future. On top of that, you are only 2 months away from a wheat crop, and if the weather continues anywhere near like it is today, we are going to have some very wet wheat to handle.

So while this is an emergency, and opening this plant is an emergency, I can readily see where we could use this plant to good advantage over a long period of time. Now from an elevator operator's standpoint, I am going to point out that in the 10 years that I have operated, we have had 4 years when we had grain that went out of condition in our county because of high moisture. In other words,

out of the 10 there were 4 years where this alcohol plant could have been used to a very great advantage.

I thank you.

Mr. POAGE. Thank you very much; we appreciate having your statement as one who knows things firsthand.

Now we have a representative from the Department of Agriculture present. I see several back there.

I wonder, Mr. Berger, if you would care to just get a group with you, and just make any comments you care to?

STATEMENT OF WALTER C. BERGER, DIVISION OF COMMODITY STABILIZATION SERVICE, EXECUTIVE VICE PRESIDENT OF THE COMMODITY CREDIT CORPORATION

Mr. BERGER. Mr. Chairman, we did not hear about this hearing until very late on Friday afternoon, and we really have not had any chance to go over the proposed bill. I would rather say that I would prefer to answer questions.

We have no opening statement prepared officially. The opening of the alcohol plants, of course, is no new subject to us over in the Department. It has been proposed and discussed a number of times. The long-range program of attempting to use alcohol for motor fuel has been discussed a number of times. Of course, we have had the Commission's report, and there are definitely complications involved.

For the record I will say that as Executive Vice President of the Commodity Credit Corporation, and having been affiliated with the grain and feed business all my life, I have never seen a corn crop, and I do not think anyone else has ever seen one; that is the problem we have staring us in the face this year. However, that does not happen every year. I am not worried about the stocks that we have carrying over from the year before last. The problem that we have staring us in the face for the balance of this year still—we do not know what they are going to be. I do not know that I have ever seen Nebraska, for instance, as my good friend in the grain trade has just testified, go so far into the year with so much moisture in the air as they have so far this year. They just simply do not seem to get around to doing some drying in the cribs, which we have put under loan up to the present time. We are not up to the level of our last year loans. I do not have the official figure, but I could put it into the testimony.

There has always been one basic problem which the Commission has studied quite carefully, and are coming up with the suggestion, to the objections that I have had in the past in regard to attempting to make alcohol out of grain. When I was here during World War II, it was my responsibility to see that the distribution of feed supplies and grain supplies were sent around the country where we needed it. I remember the Omaha plant very well. It was one of our jobs to see that that plant had enough grain there every day to keep it running. And the same with the other alcohol plants we had in operation during that time.

But I also remember very well that as we got towards the end of the war, and we began to see that we were going to have enough alcohol to finish the job up, the distillers who were making beverage alcohol and whiskey were in with some quite definite information that you

could take the alcohol out of grain, and then the byproducts that they were saving out of the grain could be thrown back in the feed channels—in reality, you could just about take the alcohol out of the grain and have just as much meat, milk, and eggs left in the country as you had before because the byproducts do aid the assimilation and digestion of other feed commodities—when it is put back in the feed channel. I understand our research people in the Department say that that statement is too strong at the present time. But unless the byproducts, there is something done with them, such as the Commission has suggested, taking the proteins and making human food out of them—if it is thrown back in the feed channel, you do not do much about curing the overall grain surplus problem by running a few alcohol plants. Now if the two were brought in combination, then I could see a very definite help there.

As to the attempt to start this plant up in Omaha, or the one in Louisville, Ky., the gentlemen who have testified know more about it than I do, as to how quickly they could get the plant in production. I thought during World War II that that plant up in Omaha was only using something in the neighborhood of a top of 10 million bushels a year during that period. And if we started it up the 1st of June, and the 1st of July, attempting to handle the emergency situation, as it might be right now, we would likely do well if we got a million, a million and a half or 2 million bushels through the plant while this major problem was on our hands. Well whether that is worth it, when we have such a big problem on our hands, that is something you gentlemen have to decide. I would not want to officially make a Department recommendation on it one way or the other. But personally, with the responsibilities I have, in attempting to handle the crops we have on our hands, that we are taking under loan, I know it is severe, but I am wondering if that is going to help very much for a short time duration.

Mr. POAGE. Any questions of Mr. Berger?

Mr. HAGEN. I would like to ask a question.

This ethyl alcohol, it comes out of petroleum and comes out of grain and they are the same product?

Mr. BERGER. To tell you frankly, I am not that good an expert on the different types of alcohol. As I understand it, the petroleum alcohol is slightly different than that coming from the petroleum production and from the natural gas production. I thought there were 2 different types of alcohol coming out of that, 1 in which grain—grain can be made into either 1 of the 2 kinds, but as I understand, as to the petroleum, there is only 1 type of alcohol that comes from that. Now what the technical name is, I would not try to be an expert to say, Congressman.

Mr. HAGEN. One of the big markets where this alcohol is used is the synthetic rubber market.

Mr. BERGER. That was the big reason it was being produced in such tremendous quantities during World War II, was the rubber program. We were cut off from our supply of natural rubber, and, of course, there was large quantities used, as I understand it, in say the smokeless powder and some of the other chemical fields during the war that I am not an expert enough on to try to tell you. But I know it had a very, very high priority in keeping those plants going.

Mr. HAGEN. This agricultural material would have to be reasonable to be competitive with petroleum alcohol?

Mr. BERGER. They would require, in my estimation, a very definite subsidy of some kind by the Government in order to make it competitive. How much lower they can go in their price I am not an expert enough on it to tell you, Congressman.

Mr. HARRISON. Just one question. Inasmuch as the support-price program has been developed over the years to protect the producer, and being this corn that we are talking about today is not going to get into Government hands because it does not qualify because of the high moisture content, do you think that the Department would object to opening up this alcohol plant to make it possible for these people who do not qualify for a loan, that they could run it through this plant so that they could derive some benefit from it?

Mr. BERGER. Congressman Harrison, I would have to say that I am not in a position to state what the Department's position would be if that sort of a question came to them directly.

Mr. HARRISON. Because it cannot go into Government loan.

Mr. BERGER. That is correct.

Mr. HARRISON. But they could help this farmer, who is in distress at the present time, by running it through this alcohol plant.

Mr. BERGER. Mr. Congressman, I might say, that I may wish was going August 1st when I have to take over some of it that we have under loan. To tell you frankly, we are going to have to do something with it in a 30- or 60-day period, pretty fast, if I do get it and it is out of condition. Now we do not know at this point, as you folks and some of the other people in the territory out there, as to whether they are going to get some drying winds and this corn is going to dry out. And there is a lot of territory, not only in Nebraska, Iowa, Minnesota, part of Missouri, some in Illinois, northern Illinois, and Wisconsin in which we do have that problem. But I do not know that a million bushels is going to do me much good, a million and a half, that we could take out of the way in a short period of time at that time.

So to answer you officially for the Department, I am not in position I am not at that level in the Department. I am sure that would have to come from the Secretary's office.

Mr. POAGE. Thank you very much. I believe that concludes the witnesses, doesn't it, Mr. Harrison?

Mr. HARRISON. Mr. Thone is here representing the two Senators from our State. I think he has a statement that will take just a minute or two.

STATEMENT OF CHARLES THONE, ADMINISTRATIVE ASSISTANT TO UNITED STATES SENATOR ROMAN HRUSKA

Mr. THONE. Chairman Poage and members of the committee, our Senators Hruska and Curtis would like to associate themselves with the statements just made by Mr. Johnson and Mr. Welsh, Congressman Jensen, and Mr. Smithberger, on this bill introduced by Congressman Harrison. They want the committee to know that they feel that the Harrison bill makes awfully good agricultural programing sense, both on an emergency and long-range basis. The Harrison

bill is of considerable interest to Nebraska, and many other corn-producing areas. This is especially true with the wet corn emergency. Not only is there a lot of soft corn in a potentially serious distressed market, but reactivation of the Omaha plant for production of industrial alcohol would also make good sense in the conversion of surplus deteriorating grain into alcohol.

Early favorable action on the bill is urged by both Senators Hruska and Curtis.

Mr. Chairman, they would be here but they were both committed on other hearings.

Mr. POAGE. Thank you very much, we are glad to have that statement.

We have a statement from Mr. Miller, Congressman Miller, that we will insert in the record without objection.

(The document referred to is as follows:)

STATEMENT OF HON. A. L. MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. Chairman, I appreciate the opportunity of presenting this statement in support of several bills before your committee that have for their purpose the use of surplus crops for making industrial alcohol and for industrial uses. I have introduced such a bill, H. R. 11508, which calls upon the Secretary of Agriculture to make use of crops held in surplus by the Commodity Credit Corporation in utilization of the wheat or spoiled grains that are suitable for making alcohol. In the State of Nebraska it is estimated we may lose 100 million bushels of grain because of its high moisture content. This is mostly corn. Some of the corn is selling for as low as 60 cents a bushel.

There is in Omaha, Nebr., a so-called Omaha Alcohol Plant that was used extensively during World War II to make synthetic rubber and alcohol.

The scientists have the know-how. We have the plant. We have the corn and wheat, some of it is unfit for human or animal consumption and could be used for industrial alcohol.

It has come to my attention that the military uses huge amounts of alcohol in their jet planes and other equipment, for guided missiles. I believe the record will show that for many years blackstrap molasses has been brought in from Cuba by boat and then transferred by train to the alcohol plant in West Virginia where it is converted into alcohol. Scientists tell me that this is a high-cost operation.

I believe the testimony this morning may well show that if corn can be bought at $1 that it is economically feasible to turn it into alcohol for industrial uses.

It should be remembered that alcohol stores much easier and has an indefinite time of storability. It can be used to make hundreds of industrial items.

It has been estimated that if gasoline used in automobiles contained 5 percent alcohol it would probably take nearly a billion bushels of grain to make the alcohol. I am not advocating that gasoline in cars contain alcohol but I do strongly recommend that grain that is allowed to go out of condition and that held by the Commodity Credit Corporation could very easily be turned into alcohol plants and that alcohol could be used to meet the demands of industry and all the new developments that are coming off the trestleboard as blueprints everyday.

Many countries in Europe for years have utilized their surplus grains in making alcohol. It is my understanding they use it in gasoline.

I cannot too strongly urge that the committee give favorable consideration to the several bills before you that have for their purpose turning surplus crops into industrial uses.

I would also point out that several years ago when the agriculture program was designed and the Secretary of Agriculture was urging favorable price supports, he based it on three things.

1. That surplus crops and storage would be reduced.
2. That regulations and restrictions would be removed from the farmer.
3. That the consumers would get lower prices for the things they buy.

Take a good look at these three rules: Surplus crops have increased in storage, not decreased; the regulations on the farmer have been tightened. This is evidenced by the many, many suits filed against Congress for violation of restrictions made by the Department of Agriculture. Certainly the consumer has paid more, not less for the things they buy.

I am sure the committee after careful consideration will come to the conclusion that these surplus crops might well be turned into the industrial channels.

Thank you for letting me give this testimony before your committee.

Mr. POAGE. If there is nothing further on this, the committee will stand adjourned, and we will then have an executive session.

(The following statements were submitted to the committee:)

STATEMENT OF SENATOR EDWARD J. THYE OF MINNESOTA

Mr. Chairman, one of the serious problems, among many, that face the farmer today consists of the large stocks of feed grains—corn, wheat, and grain sorghums—overhanging and thus depressing the market. Regardless of whether these stocks are in the hands of the Government or the farmer, the carryover from previous years is so great that it is time action was taken to reduce them and to salvage something out of the old grains that eventually will rot or otherwise be rendered useless.

The proposal which you are considering this morning—that of authorizing the distillation of surplus feed grains into commercial alcohol—is one which I have been interested in for some time. I would like to point out to you that we have a bill pending before our Senate Committee on Agriculture and Forestry, S. 3489, of which I am a cosponsor, which would provide for the conversion of surplus grain owned by the Commodity Credit Corporation into industrial alcohol for stockpiling purposes. You can understand, therefore, that I am most sincere in convictions that careful consideration be given the bills now before you.

By these remarks, I do not wish to be in the position of opposing a prudent reserve of feed grains against the possibility of a bad year caused by drought or other calamity. On this point, I invite your attention to the report of the Acting Secretary of Agriculture on possible methods of improving the feed-grain program contained in Senate Document No. 55 (85th Cong., 1st sess.) being a report made pursuant to Senate Resolution 125. On page 35 you will find this statement on carryover:

"Reserves of fede grain should be at levels which reduce the necessity for sharp year-to-year fluctuations in the liverstock population, such as have been experienced previously. With an expanded livestock population and with better storage facilities, reserve stocks should be higher than they were before the inauguration of Government storage programs. Stocks should be lower than they have been during the last several years.

"Reserve policy should be based relatively more on the need for stocks than in the past, when size of the carryover was determined largely as a result of price-support operations.

"For the next 5 years, if the carryover for all feed grains combined should exceed 30 to 40 million tons or should fall much below 10 million tons, this should be a cause for concern. Variations within those limits would probably be manageable."

You are no doubt familiar with the report of the President's Bipartisan Commission on Increased Industrial Use of Agricultural Products (S. Doc. No. 45, 85th Cong., 1st sess.) and the proposed legislation (S. 572, S. 2306) to carry out the proposals for an expanded research program. As one of the coauthors of this legislation, I am most anxious to see this proposed legislation enacted. The program thus suggested is a long-term one designed to provide for agriculture and abundance of research comparable with the research programs in the synthetic fields. But, by its very nature, it is a long-term program.

A CRASH PROGRAM NEEDED

What is needed to reduce our oversupply of feed grains before they become entirely useless is a crash program to channel a portion of our huge stocks of feed grains into the commercial markets, even if this requires a loss on the books of the Commodity Credit Corporation. Such a crash disposal program in addition to returning a portion of the Government investment might, as will be seen, develop permanent markets for grains at regular prices.

Part VI of the above referred to Commission report refers to industrial alcohols and derivatives therefrom, including the making of synthetic rubber. It points out that in the present state of knowledge the utilization of grain for industrial alcohol and related purposes is uneconomic but that (p. 89):

"* * * low-quality grain can be disposed of in these channels and the prices payable may be much less uneconomic than some other methods which have been found necessary in the disposal of surplus grains."

The Commission's report points out that existing idle industrial alcohol plants in the United States could utilize from 87 to 100 million bushels of grain per year and that the now idle Government butadiene plant at Louisville, Ky., and the privately owned butadiene plant at Kobuta, Pa., could partially utilize the entire production of such industrial alcohol. Butadiene is the principal intermediate product in the manufacture of synthetic rubber.

In an analysis of costs of present disposal programs of the Government and a comparison with a program of disposal for the manufacture of industrial alcohol (synthetic rubber), the Commission states:

"A comparison of the costs of the disposal of surplus grains for foreign currency and the cost of diverting grain for conversion to alcohol, indicates that the latter program might be less costly."

In addition to the disposal of grain for industrial alcohol for the synthetic rubber market and the utilization of the present idle industrial alcohol capacity, there are other plants in the beverage alcohol field that could easily be converted to the making of industrial alcohol. There are plants that can produce butyl alcohol and other chemicals. And, in addition to the manufacture of synthetic rubber the Commission states:

"Alcohol has been described as the most versatile of all chemical compounds. It is a most useful material because of its unique properties as a solvent, a germicide, an antifreeze, a combustible liquid, and especially because of its versatile nature as a building block for other organic chemicals."

In addition to the 100 million or more bushels of grain that could be disposed of through the industrial alcohol-synthetic rubber market, the Commission reports that another 300 million bushels of cereal grains might be channeled into other industrial uses—through present plant facilities operated by private industry. The report states that such encouragement of industrial uses by incentives might well result in the discovery of uses that will provide permanent markets. Of the starch derived from grain the report states:

"Starch is one of the low-cost, abundant raw materials which has not been fully exploited. Because of its polymeric nature, starch may serve as a basic material for new or old chemical products useful in such areas as plastics, textiles, and structural materials.

"Incentives to encourage widespread uses of starch in industries could quite likely develop permanent markets at competitive prices. Among the uses to which starch might be put, at varying incentives, are the metallurgical industries, paper industry, cotton-starch combinations, soil conditioning, and highway construction, and water and sewage treatment."

As to disposal programs to industry such as I have suggested, I invite attention to another of the Commission's important statements:

"Incentives to industry can help to reduce present stocks of cereal grains and cotton, and help to prevent future accumulations. To accomplish this, it will be necessary to sell commodities into channels of industrial use that will enable the buyers to sell their manufactured products in competition with the products of other industrial raw materials. While losses would be thus incurred, the price structure of farm commodities would be strengthened by the removal of surpluses overhanging the markets, and Government would be spared further expense of storage and other costs. Exportation of grain derivatives could also be made possible by incentives enabling domestic manufacturers to compete abroad with foreign processors already benefiting from USDA export subsidies now authorized."

The disposal programs herein suggested have been objected to by some since they do not dispose of the entire portion of the grain processed. From a bushel of corn in the manufacture of industrial alcohol, and I believe the same is true of other industrial uses, there is taken the starch content of about 36 pounds. There is some 3 or 4 pounds loss and a residue of about 16 points of high protein feed. It is undoubtedly a very nutritious animal feed for dairy cattle, steers, and swine. The full operation of the industrial alcohol plants would leave a residue of about 600,000 tons per year of these high protein feeds. This is twice the amount of such feed normally reaching the market, but is under the amount

marketed in 1951. Furthermore such residues are usually marketed in deficit feed areas. Undoubtedly there is a large market abroad for these feeds and since corn is not a good product for ocean transportation might be a method of developing foreign markets for its byproduct.

I mention these facts so that you will understand that by industrial utilization we do not dispose of the entire poundage, but we do thus dispose of over two-thirds and the byproduct is a more storable product.

One more point—the matter of upgrading the protein content for human food. I am told there are prospects of developing processes whereby the proteins are first removed from the grain in advance of fermentation. The proteins might then be marketed, here or abroad, as food ingredients, and certainly would find other outlets of higher value than as fermentation residues. Such a process might favorably modify the alcohol-cost picture. Only large-scale operation can develop this process.

The petroleum industry might have some objection to the utilization of our grains for the manufacture of alcohol for the synthetic-rubber program since the petroleum industry now enjoys almost the entire synthetic-rubber market. But I feel sure their sales of refined-petroleum products to farmers and the need for a sound farm economy is more important to them than the minor part that the gases now used in the synthetic-rubber program play in their overall operations. It is also easy, I am told, to utilize the ethlene now used for the making of butadiene for other chemical processes, such as plastics. In the long run the petroleum industry would benefit from the grain-disposal program herein suggested.

There may be objection from the elevator operators who are now enjoying the collection of fees for storage of Government grain. But, again, as with the petroleum industry, these elevator operators stand to gain more by a sound farming industry, and I am sure will not interpose too strenuous objections.

With all those who might feel that such a grain-disposal program might be harmful, I plead to give it a chance to operate for the greater good of the farming industry and all the people of the Nation.

Mr. Chairman, I would appreciate it very much if my prepared statement be printed as a part of your hearings report. Thank you.

STATEMENT OF HON. PHIL WEAVER, A REPRESENTATIVE IN CONGRESS OF THE FIRST DISTRICT OF THE STATE OF NEBRASKA

Mr. Chairman and gentlemen of the committee, I want to join with my colleagues from Nebraska and other citizens of our State who are here today to testify in favor of H. R. 11189 and related bills.

I trust that the committee will act expeditiously upon this measure so that H. R. 11189 can be reported to the House floor for further debate and consideration. The activation of the Omaha plant at an early date for the manufacture of industrial alcohol would mean a market place for millions of bushels of wet corn that are now in storage in Nebraska and the Midwest. In addition, it would mean that we could start immediately on further research and development work to find industrial uses of farm products. There is strong competition today among all the raw materials utilized in industrial production. Increased industrial use of farm products will only occur if through research and development programs it can be demonstrated that farm products are the most economical and the most satisfactory raw materials for specific industrial uses.

In the 84th Congress as well as in this Congress, I introduced legislation which has been referred to this committee, that would provide for the conversion of surplus grain owned by the Commodity Credit Corporation into industrial alcohol for stockpiling purposes.

It is my interest in this field that prompts me to urge the members of this committeee to favorably consider the bill now before you. I am hopeful that H. R. 11189 can be favorably reported to the House.

Thank you, Mr. Chairman, and gentlemen of the committee.

(At 12 o'clock noon the committee then adjourned to go into executive session.)